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Australia

Cotton and Products

Quarterly Update

2008

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Report Highlights:

Key cotton growing regions of northern New South Wales and Queensland have received excellent rainfall. Post has boosted anticipated yield well beyond previous expectations. Production for 2008/09 is forecast at 1.36 million bales, up sharply on the previous on post's previous estimate. Recent falls in domestic grain prices is believed to cause some areas previously planted to sorghum to switch back to the more traditional cotton.

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SECTION ONE: SITUATION AND OUTLOOK

General

At time of writing this report, post advises that key cotton growing regions of northern New South Wales and Queensland have received excellent rainfall. This rain has greatly improved soil moisture in areas where cotton is grown and has also boosted irrigation water reserves in the catchment areas.

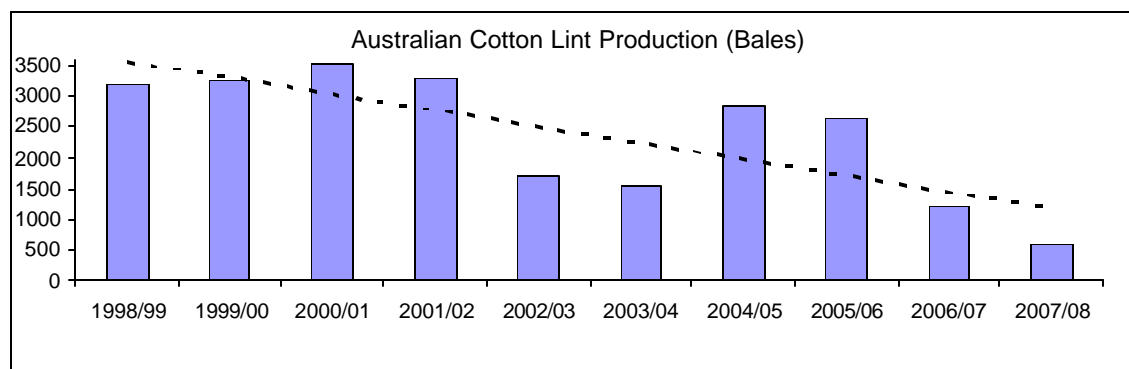
According to industry sources, the rainfall received in the second half of November, arrived too late to significantly increase planted area. However, post has allowed for a slight increase in plantings, for dry land and some older varieties of irrigated cotton, due to rainfall but boosted anticipated yield well beyond previous expectations. Post advises that improved varieties, as well as the historically small size of the crop, will also likely push yields to historically high levels.

Post has assumed average weather conditions for the remainder of the 2008/09 season however advises that above average rainfall would likely push yield even higher as scope remains for improved yields.

Post advises that the large forecast increase for 2008/09 cotton production merely represents a return to a level more reflective of the longer term average and does not represent a new productive capacity for Australia. The long running and severe drought, which began in 2002/03, has seen irrigated crops such as cotton and rice most affected by the sharp falls in the availability of irrigation water.

Production

Production for 2008/09 is forecast at 1.36 million bales, up sharply on the previous on post's previous estimate. This level of production if achieved would represent a 120 percent increase on the drought affected crop of the previous year. Despite this increase however, this crop would likely remain around one million bales below the ten-year-average of 2.38 million established using ABARE's historical data.

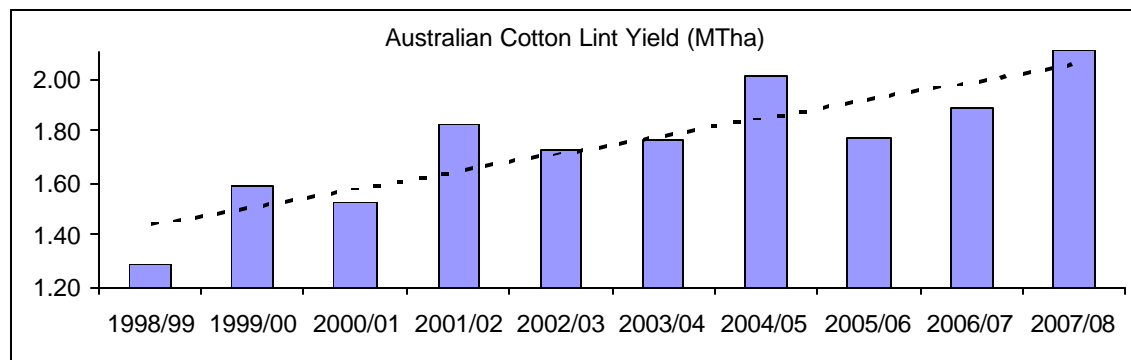


Source: ABARE Data

Area planted to cotton in 2008/09 is forecast at 160,000 hectares, up significantly on the previous estimate, and up sharply on the revised estimate for the previous year. Recent falls in domestic grain prices is believed to cause some areas previously planted to sorghum to switch back to the more traditional cotton. Industry leaders advise that this is merely a return to the longer term average for cropping mix.

Recent rainfall has also lifted area planted to cotton, although post advises that this has provided a much smaller boost to production. The rainfall arrived too late for planting and is expected to increase area only slightly beyond previous expectations.

Post has assumed an above average yield for cotton production in 2008/09, reaching 8.5 bales per hectare. If achieved, this would represent the third highest yield on record surpassed only by the 8.9 bales per hectare achieved in 2004/05 and the record 9.3 bales per hectare achieved in 2007/08, according to ABARE's historic data. Post notes that the three highest yields of the past decade have been achieved since growing GM varieties became widespread.



Source: ABARE Data

Exports

Exports for 2008/09 are forecast at 1.3 million bales, up on the revised estimate for the previous year. Increased production is likely to see exports increase beyond the year-previous level.

Australia has traditionally processed and shipped cotton in the year following its production. More recently however smaller crops have allowed a greater proportion of Australia's crop to be processed and shipped in the same year it is produced. Post expects production and shipping to revert to the more traditional trend as crop sizes revert (increase) to the long term pre-drought average.

Policy

The new Western Australian (WA) State Government has lifted the moratorium (imposed by the previous State government) on the commercial production of genetically modified (GM) cotton at the Ord River Irrigation Area in the State's north. (See report #AS8056).

The trial crops have been very successful from a production point of view, yielding almost 11.5 bales a hectare. Over the years, trials of GM cotton in the Ord have frequently out-yielded production in other areas of Australia by about 10 per cent. The trials have shown that there are no agronomic problems, including the control of insects, in growing GM cotton in the Ord. The Ord irrigation remains relatively small in terms of Australia's total irrigated area and post does not see a future swing to cotton in this area having a large impact on national cotton production in the future.

More than 90 per cent of Australia's cotton production is already GM.

SECTION TWO: STATISTICAL TABLES

PSD Table Cotton										
	2006	Revised		2007	Estimate		2008	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		08/2006	08/2006		08/2007	08/2007		08/2008	08/2008	MM/YYYY
Area Planted	0	0	0	0	0	0	0	0	0	(HECTARES)
Area Harvested	145	144	144	65	63	65	160	190	160	(HECTARES)
Beginning Stocks	1,938	1,938	1,938	1,154	1,179	1,267	530	729	743	1000 480 lb. Bales
Production	1,350	1,350	1,350	620	525	620	1,300	1,500	1,360	1000 480 lb. Bales
Imports	0	0		0	0		0	0		1000 480 lb. Bales
MY Imports from U.S.	0	0		0	0		0	0		1000 480 lb. Bales
Total Supply	3,288	3,288	3,288	1,774	1,704	1,887	1,830	2,229	2,103	1000 480 lb. Bales
Exports	2,129	2,129	2,041	1,219	1,000	1,169	950	1,300	1,300	1000 480 lb. Bales
Use	55	55	55	50	50	50	50	50	50	1000 480 lb. Bales
Loss	-50	-75	-75	-25	-75	-75	-50	-75	-75	1000 480 lb. Bales
Total Dom. Cons.	5	-20	-20	25	-25	-25	0	-25	-25	1000 480 lb. Bales
Ending Stocks	1,154	1,179	1,267	530	729	743	880	954	828	1000 480 lb. Bales
Total Distribution	3,288	3,288	3,288	1,774	1,704	1,887	1,830	2,229	2,103	1000 480 lb. Bales
Stock to Use %	53	54	60	42	69	61	88	71	61	(PERCENT)
Yield	2,027.	2,041.	2,041.	2,077.	1,814.	2,077.	1,769.	1,719.	1,851.	(KG/HA)

Recent Reports from FAS/Canberra

The reports listed below can all be downloaded from the FAS website at:

<http://www.fas.usda.gov/scripts/AttacheRep/default.asp>.

Report Number	Title of Report	Date
AS8056	Western Australia lifts ban on GM Cotton	11/25/08
AS8055	Fresh Deciduous Fruit Annual	11/21/08
AS8053	Citrus Annual	11/14/08
AS8052	November Grain Lockup	11/03/08
AS8051	Final IRA for Chicken Meat released by Biosecurity Australia	10/31/08
AS8049	Dairy Annual 2008	10/20/08
AS8048	Grain and Feed October Update 2008	09/26/08
AS8047	Sugar Semi-Annual	09/26/08
AS8046	Exporter Guide	09/15/08
AS8044	FAIRS Export Certificate Report	09/04/08
AS8043	2008 September Voluntary Grain Report	08/28/08
AS8041	Cotton Quarterly Lock-up	08/27/08
AS8040	Competitiveness of Grocery Pricing in Australia Investigated	08/20/08
AS8039	2008 Livestock Annual	08/22/08
AS8038	FAIRS Country Report	07/31/08
AS8037	The Australian Emissions Trading Scheme NFF Policy	07/22/08
AS8036	Draft Organic Standard Released for Comment	07/22/08
AS8035	Biotechnology Annual	07/15/08
AS8033	Grain and Feed Quarterly Update	07/08/08
AS8032	Wheat Reform Legislation Passes in Parliament	06/25/08